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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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Federal Communications Commission  
Office of Secretary

In the Matter of )  
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Puerto Rico Telephone Company's )  
New Expanded Interconnection ) CC Docket No. 96-160  
Tariff )

PUERTO RICO TELEPHONE COMPANY'S REBUTTAL

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**PUERTO RICO TELEPHONE COMPANY'S REBUTTAL**

Puerto Rico Telephone Company hereby submits its Rebuttal to oppositions and comments filed with regard to its Direct Case justifying those rates, terms and conditions in its virtual collocation tariff that were designated for investigation in this proceeding.<sup>1</sup>

**I. INTRODUCTION**

On May 6, 1996, PRTC filed its first tariff for the provision of expanded interconnection through virtual collocation for special and switched access services.<sup>2</sup> The Common Carrier Bureau subsequently determined to suspend the tariff for one day and to initiate an investigation. The Bureau adopted the same course of action for expanded interconnection tariffs filed by the Ameritech Operating Companies and the Bell Atlantic Telephone Companies. In response to the Order Designating Issues for Investigation, PRTC submitted its Direct Case on April 10, 1997.

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<sup>1</sup> Order Designating Issues for Investigation, CC Docket No. 96-160, DA 97-523 (Com. Car. Bur. rel. March 11, 1997) ("Order"); Order Granting Motion for Extension of Time, CC Docket No. 96-160, DA 97-928 (Com. Car. Bur. rel. May 2, 1997).

<sup>2</sup> PRTC Tariff F.C.C. No. 1, Transmittal No. 2 (filed May 6, 1996).

PRTC now submits its Rebuttal to oppositions and comments filed by KMC Telecom, Inc. ("KMC"), Centennial Cellular Corporation ("Centennial"), CoreComm, Inc.<sup>3</sup> ("CoreComm"), and MCI Telecommunications Corporation ("MCI").

The oppositions share a common theme: the assumption that PRTC should have based rates on hypothetical costs for materials and unfounded estimates of labor hours. Ideally, PRTC would be able to report rates in its tariff for all VEIS services. However, the Bureau confirmed recently that an ICB service offering is not unreasonable if it conforms to the following standards:

1. The service in question is one with which the carrier is not experienced, i.e., it must be one that the carrier has not previously offered and that is not "like" any other current offering;
2. The ICB rate is to be used only as an interim transitional measure;
3. The carrier develops averaged rates for the service within a reasonable period of time and makes the service generally available as such averaged rates as soon as they are developed; and
4. The carrier provides cost support information in accordance with the standards set forth in Section 61.38 of the Commission's Rules.<sup>4</sup>

PRTC appropriately used ICB pricing in those instances in which

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<sup>3</sup> CoreComm's interest in this proceeding is unclear from its pleading. Nevertheless, CoreComm's opposition does not raise any issues distinct from those raised by KMC and Centennial.

<sup>4</sup> Public Notice: Common Carrier Bureau Restates Commission Policy on Individual Case Basis Tariff Offerings, DA 95-2053 (rel. Sept. 27, 1995) (footnotes omitted). See also Local Exchange Carriers' Individual Case Basis DS3 Service Offerings, Memorandum Opinion and Order, 4 FCC Rcd 8634, 8641-42 (1989).

it would not be able to support a rate based on prior experience with equipment types, brands, and related labor time and costs.

Opponents object to this methodology, however, claiming that PRTC should have established rates "based on its experience tariffing comparable services as a benchmark," which the Bureau would then adjust accordingly.<sup>5</sup> Similarly, Centennial would prefer to PRTC's "naive and false portrayal" of inexperience, a tariff based on the experience of other LECs and the "consultancy arrangements with BOCs," which Centennial purports PRTC to have, and PRTC's "full participation" in inter-LEC activities.<sup>6</sup>

It is unclear why these suggestions are a suitable substitute to the development of tariff rates based on verifiable support. There is no reason to believe, for example, that Centennial would have been satisfied with PRTC rates based on costs of other carriers, when PRTC would have been incapable of supporting its rates based on such costs. Although the parties complain that insufficient support has been provided for PRTC's rates, they take the inconsistent position that rates based on costs unrelated to PRTC — i.e., those experienced by other

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<sup>5</sup> MCI at 4. MCI does not define what it means by "comparable services." However, physical collocation clearly is the service that is comparable to virtual collocation, both in provisioning and regulatory treatment. On this basis, PRTC presently provides no such "comparable services."

<sup>6</sup> Centennial at 5. Centennial's proclivity to revisit at every opportunity its irrelevant and unsubstantiated claims that PRTC delayed its request for interconnection under sections 251 and 252 of the Act show that it is more interested in posturing than offering substantive support for its position.

carriers — would be preferable.<sup>7</sup>

The point these parties fail to grasp is that, at least in this instance, PRTC is not in the same position as other Tier 1 LECs that are required to tariff VEIS. Unlike Bell Operating Companies that have filed virtual collocation based on their experience providing physical collocation, PRTC has not provided physical collocation. Whereas these carriers could issue virtual collocation tariffs that would be useful to their carrier customers based on their experience in fulfilling requests for physical collocation, PRTC has only provided these types of facilities to itself. A tariff based solely on PRTC's choice of equipment and vendors clearly would not satisfy the Commission's requirement that the carrier be permitted to select facilities and equipment brands.<sup>8</sup> Indeed, the Commission previously encouraged prospective carrier customers to submit requests for specific types of equipment to the LECs so that the LECs could include relevant rates in their initial tariff offerings; the tariff information would be updated thereafter as the LEC received additional requests.<sup>9</sup> Therefore, the Commission did not required LECs to "anticipate" the equipment that they are

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<sup>7</sup> Centennial at 8, 12; CoreComm at 5 (suggesting that PRTC should invent a materials list with a description of the underlying cost methodology, presumably for listing prices).

<sup>8</sup> See Expanded Interconnection Memorandum Opinion and Order, 9 FCC Rcd 5154, 5158 (1994) ("the interconnector has the right to designate its choice of central office equipment") ("Expanded Interconnection MO&O"); id. at 5170-71.

<sup>9</sup> Id. at 5171.

supposed to tariff. In this regard, PRTC should not be treated any differently than other LECs with respect to its initial tariff filing.

KMC provides the most rational approach to this situation.<sup>10</sup> PRTC is in agreement that it would be more appropriate to continue this proceeding after PRTC can develop a supportable rate based on experience once any of the commenters or other carriers actually request virtual collocation and can articulate their equipment needs.

## **II. RATE ISSUES**

### **A. PRTC APPROPRIATELY APPLIES THE FEDERAL INCOME TAX GROSS-UP**

KMC, Centennial, and CoreComm claim that PRTC improperly applies a gross-up factor for its federal income tax liability, because PRTC does not pay federal tax payments pursuant to Section 936 of the Internal Revenue Code.<sup>11</sup> As an initial matter, PRTC correctly applies the federal income tax gross-up in its annual interstate access tariff filing.<sup>12</sup> The gross-up factor is necessary so that PRTC is afforded the full benefit intended by this federal tax relief policy. If the gross-up were not applied, then PRTC would lose some part of the benefit of its tax exemption under Section 936.

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<sup>10</sup> KMC at 21-22.

<sup>11</sup> KMC at 2-4; Centennial at 12-13; CoreComm at 6.

<sup>12</sup> See Letter from Common Carrier Bureau to PRTC, dated July 1, 1985.

Denying PRTC of the tax credit benefit would be contrary to the intent of Congress in establishing the Section 936 credit and the Section 30A phase-out.<sup>13</sup> Section 936 was intended to "assist the U.S. possessions in obtaining employment-producing investments by U.S. Corporations."<sup>14</sup> Congress' federal tax credit policy in this regard encourages investment in Puerto Rico, and Congress has retained this policy for Puerto Rico for an additional ten years. This policy goal may not be thwarted by changing ratesetting practices based on the fact that PRTC receives this benefit.<sup>15</sup> Therefore, the parties have failed to show that the Commission is permitted to trump federal investment incentive policy by denying PRTC's application of the gross-up factor for its federal income tax liability.<sup>16</sup>

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<sup>13</sup> Congress effectively repealed the tax credit applied to companies operating in Puerto Rico and other U.S. possessions in 1996, but provided for a ten-year phase-out of the tax credit in the case of Puerto Rico. See 26 U.S.C. §§ 30A and 936.

<sup>14</sup> H.R. Rep. No. 94-658, at 255 (1976), reprinted in 1976 U.S.C.C.A.N. 2897, 3151.

<sup>15</sup> See, e.g., Eagle v. American Tel. and Tel. Co., 769 F.2d 541, 543-44 (9th Cir. 1985) cert. denied, 475 U.S. 1084 (1986) (summarizing Congress' efforts to ensure that the tax savings from federal policies intended to incent utility investments are not passed-through to ratepayers).

<sup>16</sup> As stated in KMC's opposition, it has requested another letter ruling from the Bureau on this issue in a different context, the establishment of rates for unbundled network elements. PRTC has submitted a response to the letter, but is unaware of any Bureau action to date. See Letter from Joe. D. Edge to Regina M. Keeney, dated April 29, 1997.



**B. PRTC APPROPRIATELY FOLLOWS THE COMMISSION'S ORDER  
PRESCRIBING THE 11.25% COST OF CAPITAL**

KMC and Centennial object to PRTC's use of 11.25% as its cost of capital. Both parties cite PRTC's status as a government-owned entity and the absence of publicly traded equity as support for their position.<sup>17</sup> These arguments are not relevant, because the Commission has prescribed the rate of return. Only the carrier itself may request an individualized rate of return.<sup>18</sup>

The Commission's Rules set forth the procedures by which a carrier can seek individualized rates of return, separate from the unitary prescribed rate.<sup>19</sup> Although Centennial attempts to skirt this issue by suggesting that PRTC, as a rate of return carrier, is only "permitted" to use the prescribed rate,<sup>20</sup> PRTC is required to do so unless it seeks an individualized rate.<sup>21</sup> As MCI states,

The Bureau directed the LECs to calculate rates for expanded interconnection services based[d] on 11.25 percent cost of capital. Thus, unless a LEC is granted a waiver of the

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<sup>17</sup> KMC at 4-5; Centennial at 9-10.

<sup>18</sup> Amendment of Parts 65 and 69 of the Commission's Rules to Reform the Interstate Rate of Return Prescription and Enforcement Processes, 10 FCC Rcd 6788, 6823 (1995). Presumably, the carrier would seek a rate of return higher than 11.25%.

<sup>19</sup> See 47 C.F.R. § 65.102(c)(2).

<sup>20</sup> Centennial at 10.

<sup>21</sup> See Rate of Return Prescription and Enforcement Process, 10 FCC Rcd at 6797 (finding that a unitary rate of return balances the Commission's "twin policies of promoting administrative simplicity and efficiency and developing a fair rate of return for all affected carriers").

rule, the LECs [sic] must use 11.25 percent as its cost of capital.<sup>22</sup>

Moreover, the Order Designating Issues suggests the same conclusion, that carriers are required to use the rate set by the Commission. The Bureau requested that the percentage cost of capital be "fully explained and justified to the extent that it exceeds 11.25 percent."<sup>23</sup> Therefore, PRTC's use of an 11.25% rate of return is appropriate, because it is required by the Commission and presumed reasonable as suggested by the Bureau.

**C. SUPPORT FOR COLLOCATION INVESTMENTS, DIRECT CAPITAL COSTS, AND DIRECT OPERATING EXPENSES**

KMC charges that PRTC has not provided sufficient information regarding its estimates of collocation investments, direct capital costs, and direct operating expenses.<sup>24</sup> PRTC has provided sufficient information to support the costs and expenses identified in its tariff.

KMC first claims that PRTC has provided no information quantifying the investments or methodology for determining them. For collocation investments, PRTC's collocation investments amount only to its building investments. These figures were obtained from the network planning department dealing with land and buildings. Asset records are kept regarding the value of buildings, adjusted according to PRTC's reported depreciation

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<sup>22</sup> MCI at 6.

<sup>23</sup> Order at ¶ 39 (emphasis added).

<sup>24</sup> KMC at 7-9.

rate. The resulting values are reflected in Workpaper 5.

Next, KMC complains about PRTC's method for determining its direct capital costs. In calculating its direct capital costs, PRTC utilized factors that are fully explained in PRTC's VEIS cost support. To support these factors, PRTC relied on its filed ARMIS data, as required by the Commission.

With respect to direct operating expenses, as PRTC indicated in its Direct Case, these expenses include maintenance expenses. KMC correctly identifies that total expenses, rather than solely maintenance expenses, are included in the plant specific operations expenses set forth at Workpaper 4, line A, col. d. The maintenance expenses referenced are a subset of the direct operating expenses.

Contrary to KMC's interpretation, however, PRTC has no intention of "chilling" requests for interconnection, either for interstate or local competition. Indeed, if PRTC had received any requests under the tariff for virtual collocation, it would be in a better position to develop specific rates for its tariff.

**D. THE DEPRECIATION RATES USED IN PRTC'S VEIS COST STUDY ARE APPROPRIATE**

Both KMC and Centennial object to PRTC's use of its 1993 depreciation rates in establishing its VEIS tariffed rates.<sup>25</sup> PRTC filed with the Commission revised depreciation rates on August 7, 1996. PRTC developed its rates for the virtual

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<sup>25</sup> KMC at 10; Centennial at 11.

collocation tariff, which was filed on May 6, 1996, prior to this time. Therefore, PRTC provided the appropriate references to information upon which the rate was actually based. PRTC has no objection to revising its rates based on its 1996 depreciation study, but until it does so, the 1993 Depreciation Study is the appropriate source for information regarding depreciation rates used in developing the VEIS tariff.

KMC also objects to specific depreciable lives used in the VEIS study (Workpaper 3) as compared to those identified in the 1993 study.<sup>26</sup> However, the "discrepancies" identified by KMC are the result of its inaccurately citing to the projected lives listed in the 1993 Depreciation Study, rather than the average service lives. The average service lives in years for the applicable accounts in the 1993 study are as follows:

Buildings -	38.4	Workpaper 3 -	38
Digital Switching -	13.1	Workpaper 3 -	13
Digital Circuits -	10.8	Workpaper 3 -	11
Conduits -	53.9	Workpaper 3 -	54

It is entirely appropriate to use the average service life for the virtual collocation rate. With respect to the percentage net salvage, KMC points to certain differences between the net salvage value in the 1993 Depreciation Study and the VEIS cost study. Although PRTC notes that for digital switching, it applied inadvertently a 1% net salvage value rather than 3%,<sup>27</sup> in

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<sup>26</sup> KMC at 9-10.

<sup>27</sup> The 1% value is taken from the rates in effect in 1992.

all other respects, the net salvage values are consistent with PRTC's depreciation rates.<sup>28</sup>

KMC also fails to understand that PRTC can apply the depreciation factor either to the investment or the rate of return and yield the same result. For example, an asset is valued at \$100 in year 1 and has a depreciation rate of 5%, and the asset owner is subject to an 11% rate of return. In year 2, the asset is worth \$95. Applying the 11% rate of return to the depreciated value of the asset, the owner makes \$10.45 from the asset (11% of \$95). The owner can reach the same amount by applying the depreciation rate to the rate of return ( $11\% \times 1 - 5\% = 10.45\%$ ), and applying the adjusted rate of return to the year 1 value of the asset (10.45% of \$100), which yields \$10.45 in year 2. Far from being "devoid of any real meaning," PRTC's approach yields the same result as the approach advocated by KMC. Therefore, KMC does not have any valid objection to this methodology.

In addition, KMC erroneously states that PRTC's five year analysis means that it "has chosen to depreciate the return over five years instead of the entire useful lives of the various assets."<sup>29</sup> One glance at Workpaper 3 reveals the fallacy of this assumption. Although PRTC projects the cost of money analysis for a five year period, this does not mean that it has

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<sup>28</sup> At bottom, however, the effect of any noted differences on the actual rate is de minimis.

<sup>29</sup> Id. at 10.

effectively shortened the useful life to that amount. Instead, PRTC has simply provided the analysis for five years. It could have done so for 11, or 13, or 38, or 54 years. If it had, however, the obvious indication would have been a zero cost of money at the end of the analysis after the asset had been "used-up" over its given depreciable life.

Finally, PRTC notes that contrary to Centennial's assertion, PRTC's support for its depreciation rates does not rely solely upon correspondence from the Depreciation Rates Branch. As PRTC stated in its Direct Case, "The depreciable lives for plant [are] justified in PRTC's depreciation costs study filed with the Commission on November 16, 1993."<sup>30</sup> The correspondence attached to PRTC's Direct Case (Exhibit 3) provides information regarding the publicly available study so that a party could review the study if it chose to do so. Centennial apparently did not so choose.

#### **E. PRTC'S FLOOR SPACE RATES ARE NOT IMPROPER**

KMC argues that figures for all central offices should be used,<sup>31</sup> and Centennial similarly objects to PRTC's offering of virtual collocation in 7 of its central offices.<sup>32</sup> KMC also objects to PRTC's recovering any portion of common area expenses

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<sup>30</sup> Direct Case at 6.

<sup>31</sup> KMC at 11.

<sup>32</sup> Centennial at 15.

through the floor space rate.<sup>33</sup> Finally, KMC, CoreComm, and MCI claim that PRTC should not charge a floor space rate and apply an overhead loading factor, because it results in double recovery.<sup>34</sup>

PRTC is not required to offer virtual collocation in every central office in its initial tariff. The Commission found that LECs may "provide expanded interconnection in a subset of their central offices in their initial tariff."<sup>35</sup> Because PRTC has not received any requests under the tariff, there is no reason to expand its offering at this point.<sup>36</sup> However, PRTC offers in its tariff to provide virtual collocation to any central office once it has received a bona fide request.

As a general matter, whether housing equipment for physical or virtual collocation, the usage of and access to the common areas is necessary for installing and maintaining the equipment. For this reason, recovery of the investment for this space is appropriate. As PRTC explained in its direct case, the common area consists of hallways, stairs, and restrooms.<sup>37</sup> In addition, common area is also allocated for emergency power plant, air conditioning systems, and lobby space. Although the figures differ on a per building basis, the average provides a fair estimation of the floor space rate that should apply on a system-

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<sup>33</sup> KMC at 11.

<sup>34</sup> KMC at 11-12; CoreComm at 6; MCI at 4-5.

<sup>35</sup> Expanded Interconnection MO&O, 9 FCC Rcd at 5168.

<sup>36</sup> Id.

<sup>37</sup> Direct Case at 11-12.

wide basis for a PRTC VEIS customer.

Moreover, setting a floor space rate, including proportionate recovery of costs for common areas, does not provide double recovery when an overhead loading factor is also applied. The floor space rate accounts for that space dedicated to the collocator's equipment and necessary for access to and maintenance of the equipment. This situation is not like dedicated DS1 and DS3 purchased under PRTC Tariff F.C.C. No. 1, where the purchasing carrier's DS1 or DS3 trunk is attached to a dedicated circuit located on PRTC equipment. PRTC disagrees with MCI that virtual collocation is the same as the case where "interstate special access facilities are dedicated to the use of a specific access customer."<sup>38</sup> The cage housing virtual collocation is dedicated to the requesting carrier. In comparison, for access service only a circuit on PRTC equipment is dedicated to a DS1 or DS3 access customer. Therefore, it is appropriate to assess a floor space rate to the VEIS customer.

Finally, the floor space rate does not displace the need for an overhead loading factor. The overhead loading factor recovers a portion of the overhead costs that are shared with other services. The overhead loading factor is distinct from the floor space rate.

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<sup>38</sup> See MCI at 4-5.



**F. PRTC'S OVERHEAD LOADING FACTORS ARE REASONABLE**

KMC, Centennial, and CoreComm claim that PRTC's overhead loading factors are not sufficiently explained and are otherwise too high.<sup>39</sup> PRTC disagrees. The overhead loading factor used in the VEIS tariff is consistent with the factor applied in PRTC's Access Tariff.

The Commission has found that "LECs may not recover a greater share of overheads in rates for expanded interconnection services than they recover in rates for comparable services, absent justification."<sup>40</sup> As a rate of return carrier, PRTC does not have the benefit of price ceilings and/or floors when developing its rates for special access services. Although price cap LECs may have to submit additional data to verify compliance with this standard, PRTC need only show that its overhead loading factor is comparable to that used to develop its DS1 and DS3 tariffed rates. Therefore, the loading factors utilized by PRTC for special access services were appropriately utilized also for VEIS services.

PRTC's support for the overhead loadings has been provided in its annual access tariff filing and referenced in PRTC's Direct Case (at 15-16). KMC claims that PRTC's DS1 and DS3 point-to-point loading factors are not explained in its Direct Case.<sup>41</sup> In fact, the opposite is true. The loading factors for

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<sup>39</sup> KMC at 12-13; Centennial at 17-18; CoreComm at 6-8.

<sup>40</sup> Expanded Interconnection MO&O, 9 FCC Rcd at 5189.

<sup>41</sup> KMC at 12.

PRTC's DS1 and DS3 point-to-point were explained in PRTC's Direct Case and do represent the overheads associated with those services, and not, as KMC represents, merely a "profit margin" analysis.<sup>42</sup>

KMC fails to recognize that PRTC is subject to rate of return regulation, such that all costs that are assigned and allocated to interstate special access service are utilized for ratemaking. If KMC is questioning why PRTC's overhead loadings are "unprecedented" and "large," then KMC should look no farther than the Commission's Rules in Parts 32, 36, and 69 to determine the basis for allocating special access costs to the interstate jurisdiction. While these rules are used by all incumbent local exchange carriers, rate of return companies use the entire portion allocated to interstate service for ratesetting, while price cap companies do not set their rates in the same fashion.

### **III. TERMS AND CONDITIONS**

#### **A. PRTC IS NOT RESERVING SPACE UNLAWFULLY**

KMC, Centennial, and CoreComm dispute PRTC's language regarding its provision of virtual collocation subject to the availability of space.<sup>43</sup> Both Centennial and CoreComm correctly assert that a carrier cannot deny virtual collocation requests based on a lack of space without obtaining a waiver.<sup>44</sup> However,

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<sup>42</sup> See KMC at 13.

<sup>43</sup> KMC at 5-7; Centennial at 20-22; CoreComm at 10-12.

<sup>44</sup> Centennial at 21; CoreComm at 11-12.

because each party incorrectly assumes that Section 18.3 will result in impermissible denials of requests for virtual collocation, it is appropriate to quote the language here:

VEIS arrangements are available on first-come, first-served basis subject to the availability of space in the requested central office. In determining the availability of space in the conduit system and central office, the Telephone Company will reserve for itself the space it requires to meet its obligations to provide communications services.

This language informs an interconnector of two considerations: first, that there may be instances when space does not permit a request for a particular configuration to be met in a particular central office, and second, that in any event, PRTC must be able to continue to meet its communications services obligations.

This language does not suggest a propensity to reject virtual collocation requests, nor an intention to reserve space contrary to the Commission's requirements for virtual collocation. The fact remains that virtual collocation requires space, and there may be even those "unusual circumstances" when such space is not available.<sup>45</sup> This language is appropriate and should be retained.

#### **B. PRTC'S LIABILITY STANDARD IS NOT IMPROPER**

KMC, Centennial, and CoreComm object to PRTC's liability standard.<sup>46</sup> CoreComm bases its objection on the claim that the liability provision will not provide the proper incentive for

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<sup>45</sup> See Expanded Interconnection MO&O, 9 FCC Rcd at 5174.

<sup>46</sup> KMC at 14-16; Centennial at 18-20; CoreComm at 8-10.

PRTC to meet undefined service quality standards.<sup>47</sup> CoreComm's concerns are misdirected. PRTC is well aware of the prohibition under Sections 201 and 202 of the Communications Act against unjust, unreasonable, or discriminatory services and practices. The liability standard in PRTC's tariff in no way undermines PRTC's obligations under the Communications Act.

As PRTC stated in its Direct Case, limitations on its liability arising out of the provision of certain services on behalf of other carriers is appropriate so that PRTC can fulfill its obligation to provide requested virtual collocation without also bearing the liability for the operations of other carriers that PRTC has to bear for itself. Because PRTC will be performing repair and maintenance for collocators in many instances, PRTC employees essentially will be working for the collocator. Therefore, it would be nonsensical for PRTC to bear the ability for such efforts of its employees on behalf of the collocator.

**C. THE EQUIPMENT FRAME LAYOUT PROCEDURE IS REASONABLE**

KMC, Centennial, and CoreComm object to PRTC's equipment frame layout procedures.<sup>48</sup> However, as PRTC set forth in its Direct Case, this provision will permit PRTC to analyze and implement the request, or inform the carrier of any necessary revisions. This procedure, contrary to the claims of KMC,

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<sup>47</sup> CoreComm at 9-10.

<sup>48</sup> KMC at 16; Centennial at 22-23; CoreComm at 13-14.

Centennial, and CoreComm, will facilitate the provisioning of virtual collocation.

KMC argues that the process could be abused to delay interconnectors and recommends that additional procedures be put in place "to constrain PRTC's discretion in rejecting descriptions," to "spell out precise standards by which PRTC will review the descriptions," and to set penalties for PRTC if it "unreasonably rejects and equipment frame layout description."<sup>49</sup> The proposed revisions should be rejected, because KMC has provided no reason to add this vague language to PRTC's tariff. PRTC cannot deny a collocation request on the basis of a description, rather in the event that a proposed description requires refinement, this process permits PRTC to work with the carrier to develop a similar, yet suitable, equipment layout. There is no question that if PRTC were to use this or any other provision to delay unreasonably or even deny interconnection requests, carriers would quickly avail themselves of the Commission's complaint process under section 208 of the Communications Act. It is inappropriate to assume bad intent in an otherwise acceptable provision as a means of constraining PRTC's discretion and establishing penalties based on the vague standard of an "unreasonable" rejection of an equipment frame layout description.

Like KMC, Centennial assumes that the equipment frame layout provision is intended to be a source of delay in the provisioning

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<sup>49</sup> KMC at 16.

of virtual collocation. Without any basis, Centennial questions PRTC's description of the equipment frame layout provided in its Direct Case as requested by the Bureau, asserting that PRTC's description "is hardly the provision of an equipment frame layout."<sup>50</sup> Centennial's unsubstantiated attempt to assign alternative, nefarious meanings to PRTC's tariff terms should be rejected by the Bureau.

CoreComm similarly labels the equipment frame layout procedure as a barrier for interconnectors, equating PRTC's review of the layout with rejection of the request. This is a mischaracterization of the procedure, which PRTC has explained as a means for the requesting carrier to describe its request and set forth its specifications.

None of the parties has provided any support for their self-interested interpretation of the tariff language. PRTC has already amended the provision to ensure that review of the equipment frame layout does not delay the process, by stating that PRTC will provide a layout if the carrier does not. In light of the opposing parties' failure to substantiate their conjecture regarding this provision, it should remain unchanged.

#### **D. PRTC SHOULD NOT BE REQUIRED TO ACCEPT LOAs**

KMC states that PRTC should be required to accept LOAs.<sup>51</sup> It has not been PRTC's practice to accept LOAs, and exclusion of

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<sup>50</sup> Centennial at 23.

<sup>51</sup> KMC at 17.

such language in its VEIS tariff has no discriminatory effect. Even though KMC acknowledges that "PRTC has demonstrated that there is no disparate treatment between special access services and interconnectors' customers," it claims that if PRTC does not accept LOAs, then it has an unfair opportunity to influence the decisions of customers who must contact PRTC directly to designate interconnectors as their agents for billing and ordering purposes.<sup>52</sup> This claim is unsubstantiated. Indeed, KMC has cited no Commission requirement that would oblige PRTC to accept LOAs in this instance, contrary to company policy.

**E. PRTC WILL PROVIDE INSTALLATION, MAINTENANCE, AND REPAIR OF INTERCONNECTOR-DESIGNATED EQUIPMENT AT THE SAME INTERVAL AS PRTC PROVIDES ITSELF**

KMC and CoreComm claim that PRTC should publish intervals for providing virtual interconnection service.<sup>53</sup> The Virtual Collocation Order does not require that specific intervals be set forth in a VEIS tariff, but that the service be made available at nondiscriminatory intervals.<sup>54</sup> Contrary to KMC's suggestion, PRTC has not "changed its mind" with regard to the provision of information to local interconnecting carriers.<sup>55</sup> KMC's effort to obfuscate this interstate tariff investigation with intrastate issues helps to illustrate the point that PRTC has made

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<sup>52</sup> Id.

<sup>53</sup> KMC at 17-19; CoreComm at 16-17.

<sup>54</sup> See Expanded Interconnection MO&O, 9 FCC Rcd at 5172.

<sup>55</sup> See KMC at 19.

throughout this proceeding — PRTC has no interstate virtual collocation customers, such that producing service reports would be an exercise in futility. In the case of local competition, however, PRTC will have in place at least four local interconnection agreements by the beginning of July. Therefore, PRTC will have a basis on which to generate reports related to the provisioning of local services after these local competitors commence operations.

The issue is clear: if PRTC has no customers for a particular service, then it has no relevant intervals for installation, maintenance, or repair. Given the fact that PRTC is required to provide service to the interconnector within the same interval that PRTC provides for itself, the Bureau has no reason to require the establishment of more detailed standards.

**F. PRTC'S STANDARDS FOR OUTSIDE CONTRACTORS AND EQUIPMENT MONITORING ARE REASONABLE**

KMC and CoreComm argue that interconnectors' outside contractors should be provided unrestricted access to interconnectors' equipment.<sup>56</sup> CoreComm also claims that PRTC's certification requirements are unduly burdensome.<sup>57</sup> Neither party offers any substantive support for these claims.

KMC correctly reports that interconnectors will be charged with training costs if the interconnector requests that the PRTC

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<sup>56</sup> KMC at 19; CoreComm at 15-16.

<sup>57</sup> CoreComm at 15-16.



employees work with unfamiliar equipment, but that outside contractors (equipment vendors) will otherwise be used consistent with PRTC's policies for its own equipment.<sup>58</sup> On this basis, however, KMC makes the illogical assertion that this means that outside contractors should be permitted to conduct all maintenance and repair on the interconnection equipment. This argument is unsupported by the Commission's virtual collocation orders.

The Commission has held that the local exchange carrier will provide installation, maintenance, and repair services on a non-discriminatory basis.<sup>59</sup> As also explained in the Direct Case, the Commission requires that the LEC permit outside service representatives to enter the central office to maintain or repair interconnector equipment if the LEC does so for itself.<sup>60</sup> Just as PRTC utilizes the equipment supplier to handle maintenance or repairs with which its employees are unfamiliar, the same procedure will be used for interconnectors' equipment. Although KMC wishes to have its maintenance and repair work handled by outside contractors, it asserts that PRTC should be required to monitor interconnectors' equipment and notify the interconnectors of the need for repair. From KMC's perspective, while it is useful to require PRTC to monitor equipment, outside contractors

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<sup>58</sup> KMC at 19; Direct Case at 25-26.

<sup>59</sup> Expanded Interconnection Memorandum Opinion and Order, 9 FCC Rcd at 5158.

<sup>60</sup> Expanded Interconnection MO&O, 9 FCC Rcd at 5173.